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ASX ANNOUNCEMENT (ASX: BRU)

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OPERATIONS UPDATE UNGANI PRODUCTION TEST AND FORWARD PROGRAM

Buru Energy Limited provides the following update on the Company's exploration program and operations at the Ungani Field production test.

Highlights

- Strong continued production performance at Ungani Field with initial data gathering phase close to completion with production logging and field shut-in planned.
- Currently drilling Yulleroo 4 appraisal well targeting the major upside in the Basin Centred Gas System (**BCGS**) in the Yulleroo area.
- Cyrene 1 well coring high potential Goldwyer Shale with strong oil and gas shows.
- Laurel Basin Centred Gas System evaluation by RISC identifies at least 47 TCF of gas net to Buru in the regional Laurel Formation BCGS, including over 6 TCF in the Yulleroo regional area.
- Managing Director commenced on 14 January with initial focus on building development and exploration execution capacity, building relationships with Traditional Owners, and ensuring joint venture alignment on the forward program.

Drilling Program

Yulleroo 4

Yulleroo 4 has completed running the 9^{5/8}" casing and is currently being prepared to drill ahead into the target Laurel Formation section. The well is on budget, and on prognosis for drilling time, with Ensign Rig#32 performing well. The geological section encountered so far is also as prognosed with background gas increasing as predicted.

The Yulleroo 4 well is designed to test the reservoir development and gas column extent in the Yulleroo wet gas field. Buru interprets from the 3D seismic data covering the main Yulleroo structural closure, that the well is being drilled on the limits of the main field structural closure. As such it will help determine whether the Yulleroo wet gas accumulation is part of a broader Basin Centred Gas System in the Yulleroo area. RISC has recently completed an independent review of the Laurel BCGS in the whole of Buru's permits in the Canning Basin and as part of that review RISC estimates that the BCGS in the Yulleroo regional area could hold over 6 TCF of recoverable gas resources net to Buru, and the Yulleroo 4 well is an important step in helping to confirm this potential.

Cyrene 1

This well is being drilled in the EP 438 permit by Key Petroleum as operator for the well, and is targeting a conventional oil target in the Willara Formation carbonates and also the overlying section of Goldwyer Shale which has unconventional prospectivity for oil and wet gas.

The Goldwyer Shale is present, regionally extensive, and has been penetrated by a number of wells on Buru's permits. The Goldwyer is in the oil window at the Cyrene location and in the wet gas window in other areas of Buru's permits where it is buried deeper than at the Cyrene location.

The Cyrene 1 well has encountered the Goldwyer Shale close to prognosis and the coring program has been completed. The cores have confirmed the character and prospectivity of the Goldwyer Shale along the northern flank of the Kidson sub-basin in Buru's permits.

Forward drilling program

The joint venture is currently considering the exploration program for the 2013 dry season and the rig requirements for that program. Drilling activity is likely to focus on oil targets in the Ungani and Acacia areas and the joint venture is currently considering the suitability of various rigs for this program. Ensign Rig#32 may not be the most suitable rig for this program and discussions to "farmout" the Ensign rig for a period are currently underway.

Ungani North 1

Analysis of the well results and design of the testing and evaluation program is ongoing. As set out below, there is potential to work over the Ungani Field wells, and a test of Ungani North would most appropriately be conducted at that time when specialist equipment and personnel have been mobilised to the field. Buru is currently reviewing a test program for the well for consideration by the joint venture.

Conventional Reservoir Project

The identification of a conventional gas reservoir containing sufficient reserves to underpin the construction of the Great Northern Pipeline would substantially accelerate the development of the planned Canning Superbasin domestic gas project. Given the value to Buru of both a conventional resource and a major acceleration of the development of the Canning Superbasin domestic gas project, Buru has commissioned Isis Petroleum Consultants to carry out a review of this potential. This review is also likely to substantially assist in identifying "sweet spots" in the regional BCGS tight gas accumulation.

This review is progressing well with initial results suggesting a revised understanding of the depositional fabric of the basin at both Devonian and Laurel Formation times is likely to provide substantial insights into both existing and new play types, including a better understanding of the depositional environment and the controls on porosity development in the Ungani Dolomite.

Ungani Field test production

The Ungani Field production test continued during January with the Ungani 2 well on production during the month. The Ungani 1ST1 well was shut in during the month for pressure monitoring, with both wells having down hole pressure gauges installed. Ungani 2 was shut-in for three days for slickline operations to recover and rerun these downhole gauges.

Oil production from Ungani continued to be very strong with the water cut stabilised at 30% after the production was resumed following the shut-in.

The oil production statistics for the field for the month are as follows:

Monthly oil production (bbls)

Month	Ungani 1ST1	Ungani 2	Field Total	BOPD*
Pre October 2012	8,211	29,603	37,814	NA
October 2012	4,650	5,704	10,354	334
November 2012	0	13,932	13,932	464
December 2012	0	14,509	14,509	518
January 2013	0	14,383	14,383	514
Total to date	12,861	78,131	90,992	

* Average for days on production

Ungani production test forward program

The data gathered from the production test to date has confirmed the very high productivity and excellent permeability and connectivity of the reservoir. Analysis of the pressure response of the reservoir has also confirmed that the two wells are “seeing” a volume of moveable oil similar to the volumetric estimates recently made by RISC of 9.9 million barrels recoverable. Advice from RISC and other independent reservoir engineers is that further pressure and production data is unlikely to significantly change this estimate. Quantification of the upside of the field will require wells to be drilled to intersect the reservoir outside the radius of investigation of the existing wells.

The production test is currently incurring high operating costs including the costs of road transport to Kwinana, the use of rental equipment and contract operators, and the extensive pressure monitoring and fluid sampling program. The operations experience gained from the test is also now sufficient to allow optimisation of the design of the production and transport system.

The operation of the facility has also been carried out under a test and cleanup phase and the EPT has not yet formally commenced.

Taking all these matters into account, the joint venture has agreed to shut-in the test and cleanup phase of production from the field by the end of February. Prior to the shut-in a series of production logs (PLT) will be run in the wells to determine the flow characteristics of the wells while they are producing.

During the shut-in period these logs will be analysed, and this data will also inform further analysis of the production data acquired to date. The very valuable experience gained from the operating system during this production phase will also be carefully analysed so that when field production recommences it does so in a safe, environmentally sound and cost-effective manner.

The potential for a workover of either or both of the Ungani 1ST1 and 2 wells will also be investigated during the shut-in. The workover would be primarily aimed at optimising the well completion to reduce the water cut and allow increased oil rates. A workover could be undertaken in conjunction with a completion and test of the Ungani North well. It is expected that the production will be resumed in a way that substantially reduces operating costs. This means that the barrels of oil produced at that time will have a much higher cash return than oil produced in the current test.

There is a very strong focus by the joint venture on increasing production at Ungani as quickly as possible. The current plan is for the oil to be exported through a northwest port with production of 5,000 barrels per day from the field by early 2014. Further details of the production plan will be made available once the current data analysis and joint venture review is completed.

The Ungani production test has to date been highly successful and gives confidence in the resource at Ungani being able to be fully developed in a cost effective way in an acceptable time frame.

Corporate Update

Dr Keiran Wulff commenced as Buru's Managing Director on 14 January. Keiran is initially focused on the priority areas of building capacity in the operational teams, building relationships with the Traditional Owners in the Canning Basin, and ensuring the joint venture is aligned and committed to a three year program that realises the Company's vision of becoming a major force in Western Australian oil and gas production.

The building of operational capacity has been underway for some time and this has resulted in a doubling of staff numbers during the year, with recruitment for further key appointments underway.

Consequently the Company will be moving to larger premises on 15 February. The new office is across the road from the current office and consequently all contact details remain the same except for the new street address which is Level 2, 88 William Street, Perth, WA 6000.

Further information on the Company is available at: www.buruenergy.com

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Location of activities

